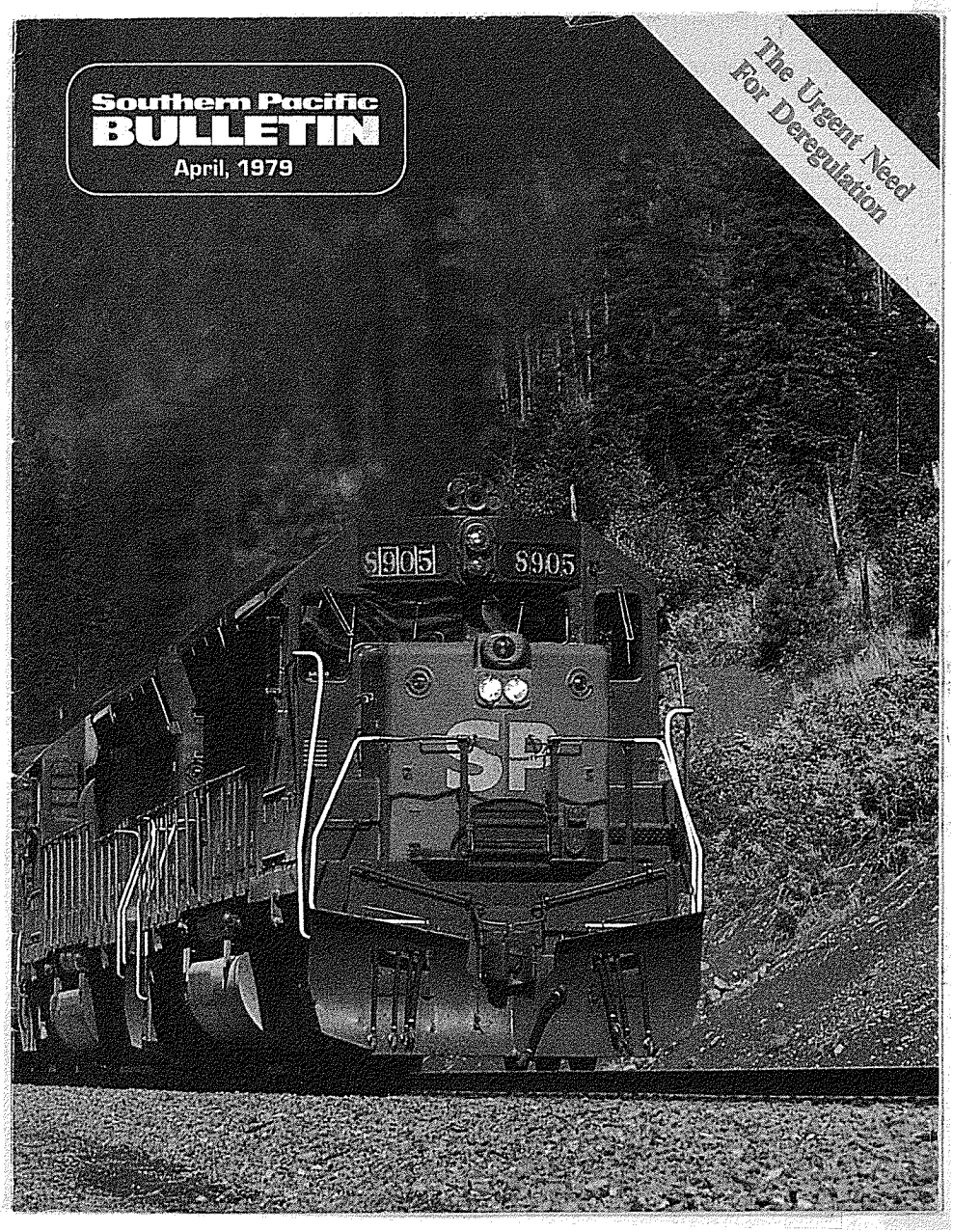
Southern Pacific BULLETIN

April, 1979

The Urgent Need For Deregulation



SOUTHERN PACIFIC BULLETIN
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CONTENTS

2 It's Time To Let the Railroads Try the Free Market System
12 How To Write Your Congressman and Make It Count
14 Around the System

COVER

A westbound SP freight nears Squaw Butte in the Cascade Range outside Oakridge, Oregon.

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Chairman Biaggini Tells the Regulators:

It's Time To Let The Railroads Try The Free Market System

Early last month the Bureau of Investigations and Enforcement of the Interstate Commerce Commission sponsored a 5-day seminar for ICC personnel at a hotel in Bethesda, Maryland, just outside Washington. Most items on the lengthy program fit the general theme of "how to conduct the regulation of the carriers more effectively."

There was one remarkable exception. The bureau invited Southern Pacific Chairman B. F. Biaggini to address the dinner session on March 7, and Mr. Biaggini — as the only railroad chief executive on the week's program — delivered a forthright address on the urgent need of the railroads for not just better, *but a lot less,* regulation.

The *Bulletin* is taking the unusual step, for it, of printing the speech in full. In doing so, the editors recognize that — since it was delivered to attorneys and others who work daily with complex regulatory questions — the speech will not be completely understood in every detail by all readers. However, the general thrust of the address is crystal-clear about the direction the nation should be taking to reverse harsh and long outdated over-regulation. We urge all employees to read it — and then, in all their contacts, to help spread the word so that greatest public attention will be directed to the critical needs outlined. The speech follows.

My appearance here tonight is not as untypical of my normal business life as you may think, since I am frequently being told these days by my own lawyers that I am approaching the practice of law without a license. In any event, I am pleased to have this opportunity to tell the regulators about the unfortunate state of the railroad industry, and what I feel should be done about it. I'm sure that is what you expected me to do when you extended your kind invitation, and I thank you for hearing me out in this type of informal forum.

Everyone here recognizes that the needs and problems of the railroads are extremely serious and, in some cases, at crisis stage. It is just perfectly obvious that the over-all problems of the industry are largely financial in nature. Railroads, individually and as a group, have for many years consistently suffered inadequate rates of return. Today, this results in tremendous problems in attracting capital at affordable cost.

Key government leaders are acknowledging this and recently have recognized that we have reached the absolute point of choice between either letting the railroads earn a fair return or else putting the whole country on notice that it must be prepared to pay the staggering bill that would fall due for the preservation of those railroad routes which are judged absolutely essential to the economy. Since railroad technology is sound, proven and steadily advancing, the solutions to the capital formation problems simply require greater private management flexibility to meet changing conditions in the marketplace, to increase market share, to reduce costs, and to increase profitability.

Most of those in this room are probably aware of my views in a general way. But, so that there will be no doubt of where I stand, I will repeat what, for years, I have been telling all who would listen, including Congressional committees, symposiums, private groups and my colleagues on other railroads. Briefly stated, the message is that the railroad regulatory apparatus — both the statutory framework and the system of implementation which for years have disfavored railroads while favoring their competitors — *must be changed and changed quickly.*

SP's application (above) to the ICC to acquire a 965-mile main line segment of the Rock Island required 1,400 pounds of paper. To encourage mergers and consolidations, Congress should liberalize such costly administrative procedures.

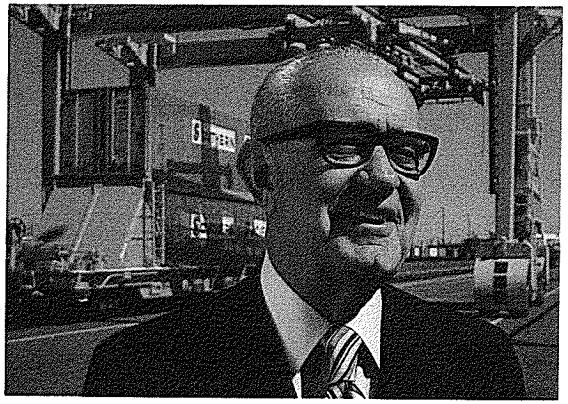
"Market forces dictate price levels in other industries, and there is no reason why this same force . . . cannot be relied upon to control pricing decisions in the railroad business."

Congress has already received the message that the transportation industry should be deregulated. It has already applied the concept to the airlines, and the horror stories advanced by opponents of airline deregulation have not come true. The Interstate Commerce Commission (ICC) also has taken note of the strong movement toward deregulation, and it has adopted some specific changes in that direction with respect to the trucking industry.

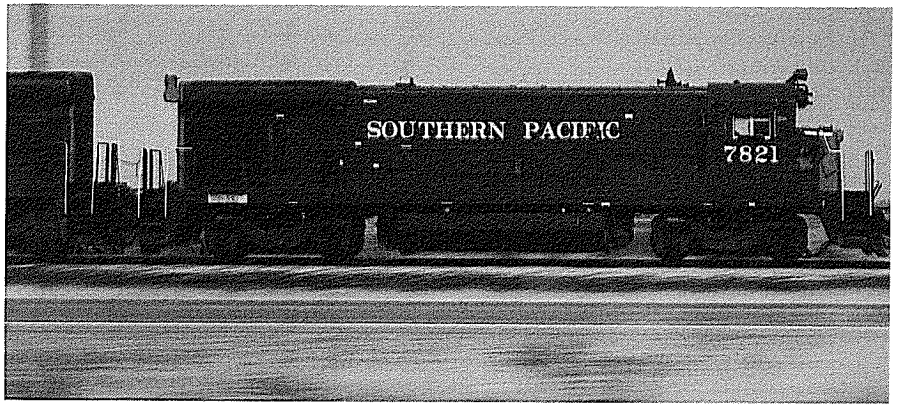
Here I must insert a note of caution. If the Commission's full deregulation program for truckers is adopted and no comparable move is made for the railroads, the plight of the railroads will be even worse than it is today while the truckers gain even more advantages than they now have. Moreover, we must have in mind that the majority of truck traffic already is largely exempt from economic regulation.

President Carter and other leaders of his Administration have stated that a railroad deregulation program should be adopted by Congress in the interest of a proper national transportation policy. Yet, until the last few days, spokesmen for the Commission have been making public statements that were, in my view, having a decidedly "chilling" impact on the future of railroad deregulation. The Commission spokesmen placed emphasis on the po-

"We have reached the absolute point of choice between either letting the railroads earn a fair return or else putting the whole country on notice to be prepared to pay the staggering bill"... for nationalization.



Chairman B. F. Biaggini is the railroad industry's leading spokesman for deregulation. His message to Congressional committees, symposiums, civic audiences and colleagues on other railroads is short and direct: railroad regulatory apparatus must be changed and changed quickly.



Last year the nation's railroads earned less than one percent on investment. To keep our freight trains running under private ownership, it is essential that the railroad industry be returned to economic viability and allowed to earn a rate of return comparable to other industries.

tential use of the provisions of the 4-R Act that were adopted in 1976.

Then on February 27 the Commission, as you know, reviewed rail regulatory issues and options. While I welcome this critical review of the present railroad regulatory structure, I truly believe that the required changes are so fundamental that they should be adopted by Congress, rather than through placing excessive reliance on Commission policy which may be both uncertain and unpredictably changeable.

It is absolutely essential that the railroad industry be returned to economic viability. By that I mean it must be allowed to earn a rate of return comparable to the rate earned in other industries, instead of the dangerously low one-half of one percent on investment earned last year by the nation's railroads, excluding Conrail and the bankrupts.

I am happy to report that — after months of intensive study of the economic and legal framework in which the industry operates, and all its problems including the huge capital shortfall which were so well pointed out by the Department of Transportation (DOT) in its "Prospectus for Change in the Railroad Industry" last year — the Association of American Railroads (AAR) has, within recent days, adopted a deregulation program which should be enacted by Congress this year.

The first point of this program — and the one on which I will comment at greatest length tonight — calls for greater freedom in ratemaking.

The system of rate regulation which we have today proceeds from a railroad monopoly premise which, although perhaps valid a hundred years ago, is certainly not valid today. Almost all serious and analytical observers agree that competition in the transportation industry today is strong and pervasive in most markets and with respect to most commodities and shippers.

Market forces dictate price levels in other industries, and there is no reason why this same force of the free market cannot be relied upon to control pricing decisions in the railroad business. Therefore, the railroads should have substantially complete rate freedom, on both the "down" side and the "up" side.

In those rare instances where competition does not exist, the railroads should have the right to increase rates annually within a 20 percent zone. That is, we should have a 20 percent "yo-yo" provision instead of the present seven percent. Thus, where effective competition exists, or even where it does not exist but the carriers remain within the 20 percent zone, the Commission would not have any right of suspension or unilateral investigative power. Moreover, the railroads should be able to change prices on very short notice.

I use the term "effective competition" in the practical sense. The Commission has been slow in recognizing that all kinds of competition must be considered, but I am much encouraged to note that in Ex Parte 320, decided February 5, 1979, it finally agreed with the rail industry that present railroad and intermodal competition, potential competition, geographic or market competition and private carrier competition are *all* competitive factors.

You may ask what's wrong with the seven percent yo-yo of the 4-R Act? Apart from the fact that the seven percent zone of reasonableness is too narrow, the problem with the present provision is that it can only be used if the railroad lacks "market dominance."

"In no event should individual rate adjustments be considered a substitute for general rate increases, which are the only way the rail industry can recover . . . increases in labor, material and fuel costs which affect all carriers alike."

The definition of this term, which I believe the Commission has made far more restrictive than ever intended by Congress when it passed the 4-R Act, has prevented not only use of the yo-yo but also the general use of greater rate discretion by carrier managements. Although the Commission's right to define the term "market dominance" was upheld in court review of Ex Parte 320, that does not mean that its regulations carried out the intent of Congress.

The effect of the Commission's presumptions has been to create a very unreal world in which the railroads, by definition but not in fact, are deemed to have market dominance on the great bulk of railroad traffic, and have had the burden thrust on them to disprove market dominance.

Market dominance simply is not widely prevalent. If it were, railroads would not be losing business to the other for-hire modes or to private carriage, their financial results would be better, and we probably would not be here tonight discussing the need for new legislation to avoid very serious industry problems.

One more comment about rates and market dominance is called for. In no event should individual rate adjustments be considered a substitute for general rate increases, which are the only way the rail industry can recover, on a timely basis, increases in labor, material and fuel costs which affect all carriers alike.

While the 4-R Act did introduce a number of new concepts of rate regulation for the purpose of permitting more flexibility in pricing of railroad services, I question whether we can really find many significant advances in this area. The Act left the ICC with broad discretion in implementing ratemaking reform, and in my view the Commission has used that discretion to interpret the provisions restrictively and

Excess Capacity: It's Costly, Inefficient

"Ridding the railroads of chronic excess capacity is almost as important as pricing freedom, because such needed restructuring will provide long-term efficiencies and savings. Today we have a 194,000-mile rail freight system, but two-thirds of the traffic moves over just 40,000 miles of the network — that is, 20 percent of the plant handles 67 percent of the work."

— Chairman Biaggini in a speech to the Canned Goods Shippers Conference at Palm Springs, California on March 13.

"The majority of truck traffic already is largely exempt from economic regulation."

narrowly, and even to impose more onerous requirements for more detailed evidentiary presentation than ever before.

No single carrier, alone, can afford to bear the brunt of a major shipper's actual or threatened traffic diversion while that carrier tests the murky water of the long, tedious and very uncertain ICC procedure on a rate adjustment. Under present rate regulatory practice a major shipper has a decided advantage, because the delays inherent in making rate changes keep the railroad pricing officer from handling matters in an expeditious and orderly manner. Contrast this, if you will, with the normal process in general industry where one company tests the market with a price change, with no advance notice, and in a day or a week either goes ahead or retreats, depending upon the actions of the competition and the customers.

Some have suggested that the railroads have not tried to use the 4-R Act. In response I would observe that we tried and were frustrated by the Commission's delay (ever since our filing on March 9, 1978) in acting on our request for an exemption under Section 207 of the 4-R Act, for movements of agricultural commodities co-extensive with the agricultural exemption which the law grants to the truckers. Further, we were disappointed that the Commission did not see fit to grant the full exemption which was requested. To be sure, we do favor the limited exemption of perishables from railroad regulation which the Commission has proposed in its recent decision in Ex Parte 346.

I hope the Commission's proposal concerning perishables does go into effect — and the sooner the better.* We are looking forward to using the freedom the Commission has proposed in an innovative way. We are going to do the best we can to offer better service to shippers and to bring back to the railroad the perishables we once moved in volume, but which we lost to the unregulated truckers. Optimistically, we may have a chance to compete, and we plan to compete.

I was pleased to see in the Commission's review of policy options on February 27 that it is considering other exemptions, such as TOFC, COFC and manufactured commodities such as automobiles and auto parts. Careful consideration of this subject, I am sure, will lead to the conclusion that all commodities should be deregulated.

Although the industry is not entirely agreed on the point, I believe that another important ingredient of ratemaking freedom should be to allow a railroad which wishes to cancel or change its portion of a joint rate to do so, provided certain conditions are met. Various proposals have been made which would continue the present right and duty for the railroads to arrange joint rates and routes.

DOT's plan, which some railroads like, is simply to scrap the whole joint rate set-up and allow a railroad unilaterally to cancel in order that it may escape a situation where it is locked into providing service at a loss. Several plans have been suggested, ranging from abolishing joint rates altogether to allowing a dissatisfied railroad to impose a unilateral tariff change or surcharge without the consent of the other joint rate partners. The importance of through routes and joint rates being available to the shipping community cannot be overlooked. We see some hope and a preferred approach in an industry system adjusting such rates by surcharges, either arrived at jointly or unilaterally, and operating within a pre-determined zone.

Another aspect of the AAR's program would allow railroads to make contract rates, without Commission approval. The Commission's new proposal on November 9, 1978, in Ex Parte 358-F, which would permit contract rates on a case-by-case basis with Commission approval, in my judgment, does not go far enough to do any real good. There is no good reason why shippers and railroads should not be allowed to contract among themselves completely free of regulatory review.

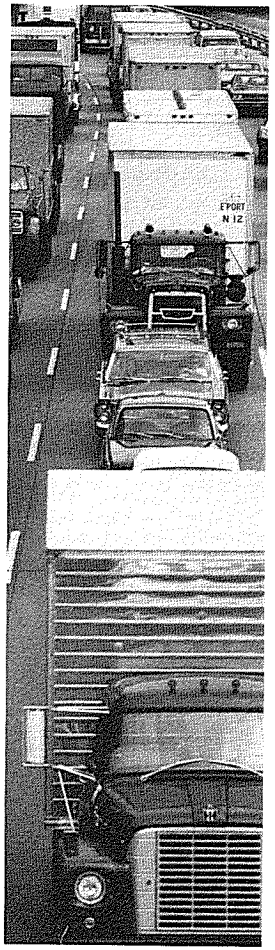
The Chairman has expressed disappointment over the railroads' use of the "Special Rate" provisions. The reason they have not been used is that the Commission's restrictions place railroads at a competitive disadvantage. An example is the Commission's requirement that peak demand rates be published upon 30 days notice. Although the Commission approved a 20 percent peak-period grain rate increase, which now is being appealed to the courts by the shippers, it was subject to a 30-day notice. This simply continues the advantage of the truck-

*See story on page 15.

More Efficient, Economical Service to Customers

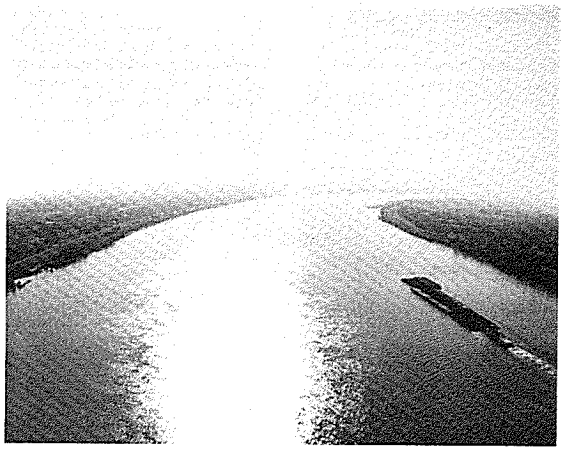
"We in the industry fully realize that if we are to be successful we must base our efforts upon an analytic approach and, most importantly, upon one which does not generate unfounded fears among our patrons or cause disruption of their operations. After all, our ultimate goal is simply more efficient, more attractive and more economical service to them, while at the same time we steer the industry away from the verge of financial crisis which otherwise could, in the very near future, require massive federal funds for the continuance of essential rail services. I think that you, as our valued customers, agree that you need us to be available, fiscally sound, and capable of doing the job for you as private and not government enterprises."

— Chairman Biaggini in a speech to the Canned Goods Shippers Conference at Palm Springs, California on March 13.



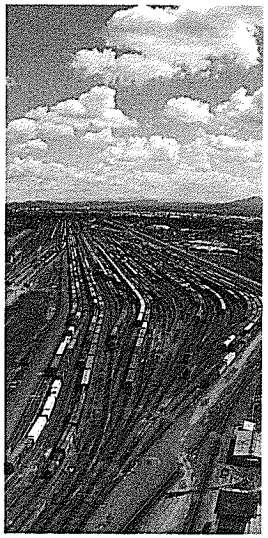
While railroads own, maintain and pay taxes on their rights-of-way, trucks have been provided with rights-of-way by the expenditure of well over $475 billion in tax funds on the nation's highway system since 1921.

"The railroad regulatory apparatus — both the statutory framework and the system of implementation which for years have disfavored railroads while favoring their competitors — must be changed and changed quickly."



Barges, which handle about 11 percent of intercity freight ton-miles, have benefited from government expenditures of over $21 billion on improving inland waterways (such as the Mississippi) since 1921. Yet not until late 1978 was the principle established by law that they should pay at least a small user charge. (4¢ a gallon of fuel beginning in 1980, and gradually increasing to 10¢ by 1985.)

"Mergers are one of the useful tools to restructure and revitalize the railroad industry. But if the tool is to work, the present time limits for decisions must be shortened."



Railroads need the freedom to manage their own day-to-day operations without excessive government interference. Per diem, car service matters and compensation for shipper-owned cars can be handled efficiently and expeditiously by the industry.

ers of grain, since they can change their rates at will without any notice.

To be practical in the rate field we must retain the rate bureaus, or some other mechanism or forum with antitrust immunity, providing proper legal procedures are followed. This is necessary because joint-rate partners must be allowed to talk to one another and come to agreement without being made subject to the technicalities of the antitrust laws. In this regard, Congress and the public should appreciate that railroads are truly unique in that they have a statutory duty to interconnect and exchange traffic. This duty is important to the maintenance of a national transportation system, and to the public interest, especially when we still lack any transcontinental single-line railroads.

Some say that the price of deregulation should be a loss of antitrust immunity, but those proposing this do not recognize the truly unique interdependence of the railroad industry. Actually, the immunity should be extended to include *intra*state ratemaking to the extent that *intra*state rates affect *inter*state commerce.

Another change that should be made is elimination of the long- and short-haul clause of the Interstate Commerce Act. The railroads are often criticized for the excessive empty back-haul of their equipment, but the long- and short-haul clause deprives them of a powerful and effective tool to meet this problem. Thus, this provision inhibits innovative ratemaking, and it is unnecessary in a competitive transportation environment. Motor carriers have never been subject to any such provision, and I see no reason why railroads should not be allowed to compete on the same basis.

Another major topic of discussion and a part of the AAR legislative program calls for easier market exit, through deregulation of abandonments.

Although abandonment procedures have been simplified under the 4-R Act, there should be an absolute right to abandon if a specific line does not achieve a sufficient rate of return to justify its existence. There is pervasive competition by other modes, which serve practically every hamlet across this country, so there is no longer a reason to require continuance of unprofitable railroad branch lines. Even the present simplified procedure, in its totality, is far too expensive and time-consuming, although it is a welcome improvement.

Another point of the AAR program calls for elimination of ICC jurisdiction over car service and compensation matters.

Recently, the Commission more and more has been dictating the conduct of day-to-day railroad operations — ranging from how quickly cars must be moved to how to repair them, and from orders to acquire railroad equipment to how to conduct yard operations. These matters are interrelated with the economics of railroading and, of course, good service and adequate equipment supply can only be provided if the carriers earn an adequate rate of return. Per diem, car service matters, and compensation for shipper-owned cars can be handled efficiently and expeditiously by the industry under contracts with provisions for binding arbitration.

My next point is that Congress should liberalize the merger and unification procedures.

Mergers are one of the useful tools to restructure and revitalize the railroad industry. But if the tool is to work, the present time limits for decisions must be shortened. The criteria for judging mergers and consolidations should be changed to encourage mergers rather than delay or discourage them.

Mergers are needed to shape the future of the railroad system. End-to-end mergers make carriers stronger and promote both intramodal and intermodal competition. Transcontinental mergers will eliminate much of the argument about divisions and through joint rates. With a new statute properly written and defining a pro-merger national policy, and less time-consuming administrative procedures, I believe mergers could be consummated in months rather than years.

A further point — and I think a noncontroversial one in this forum — is that the law should eliminate ICC jurisdiction over the issuance of securities.

No useful purpose is served by continuing the dual jurisdiction over railroad securities which are generally subject to Securities and Exchange Commission (SEC) jurisdiction. Major companies in all other fields are subject to SEC jurisdiction, and there is no separate and distinct interest in railroad securities which justifies a separate statutory framework.

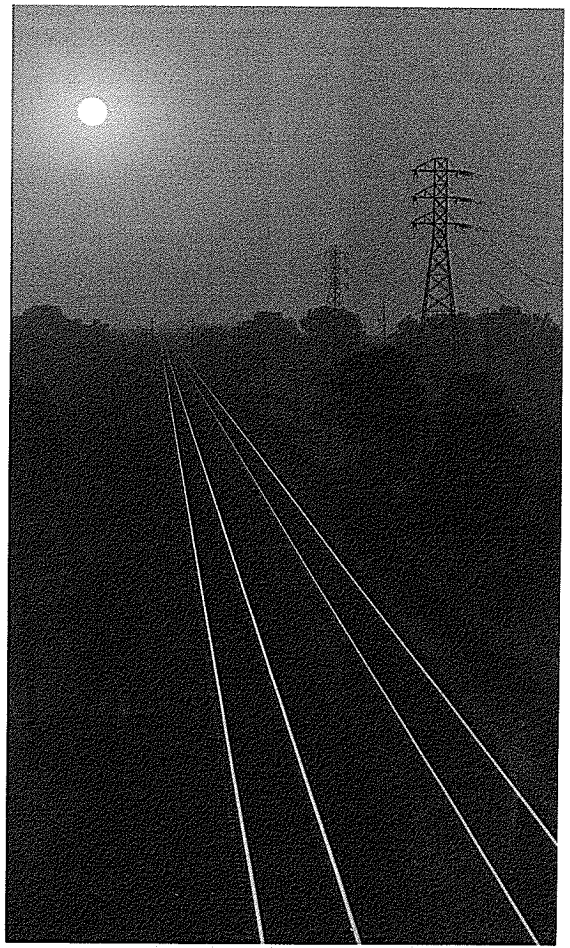
Another type of financial constraint which should be eliminated is the Commission's assertion of authority over railroad holding companies. While there has been criticism of the holding company type of organization, true abuses of railroads at the hands of their parents have been hard to find. As a matter of fact, the Commission has been most liberal in permitting at least two holding companies to shed their railroad operations. Holding company regulation is an unnecessary expansion of regulatory authority and it should be stopped by statute.

"To be practical in the rate field we must retain the rate bureaus, or some other mechanism or forum with antitrust immunity providing proper legal procedures are followed."

Next, AAR's program of immediately needed legislation calls for eliminating the restrictions on ownership by railroads of other forms of transportation.

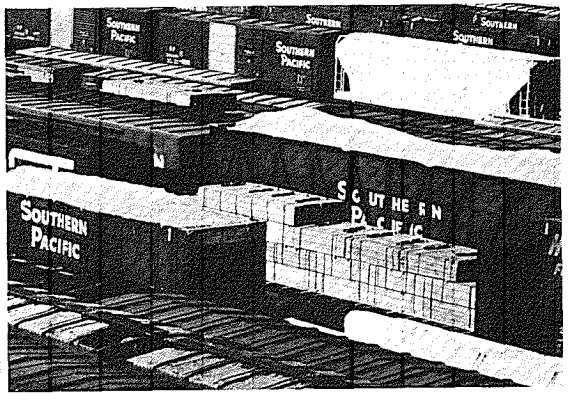
All barriers to intermodal ownership should be removed. Whether they originate in the Panama Canal Act, the Civil Aeronautics Act or the extant body of administrative law, they serve no purpose in today's transportation environment and should be eliminated.

As a final point I shall mention, the



The system of regulation for the railroads that was begun in 1887 and extended by such landmark legislation as the Transportation Acts of 1920 and 1940, as well as the Motor Carrier Act of 1935, along with other legislation, simply has not worked. Sweeping deregulation is urgently needed to ensure that the nation's freight traffic will move economically over high-speed railroad tracks.

"There is no good reason why shippers and railroads should not be allowed to contract among themselves completely free of regulatory review."



The elimination of the long- and short-haul clause of the Interstate Commerce Act would help solve the railroad industry's excessive empty back-haul of equipment.

rail industry firmly believes that state law should be preempted in railroad regulatory matters.

Incident to enactment of the package of reform legislation I have already discussed, all state power to regulate rates, service, abandonments and securities should be removed. This will make certain that the flexibility which is being sought at the federal level is not restricted or eroded by state actions with respect to interstate carriers.

In the changes I have suggested above, it is contemplated that the ICC should retain control for some finite period of time until, say, 1985, when both the country and the railroads will have learned how to operate under this vastly reduced system of regulation.

After that, railroads generally would be treated no differently than other business-for-profit corporations. In the interim, during the period while the new legislation is in effect, there will be full opportunity to appraise the effectiveness of the new program and to determine what, if any, part of the limited regulatory scheme should be retained permanently.

Plainly, the system of regulation for the railroads that was begun in 1887 and extended by such landmark legislation as the Transportation Acts of 1920 and 1940, as well as the Motor Carrier Act of 1935, along with other legislation, simply has not worked. At least it has not worked from the standpoint of providing an efficient, dynamic and healthy railroad system. Instead, it has produced a system on the verge of financial crisis and one which, in the very near future, may need massive federal funds for the continuance of essential rail service. And instead, it has compelled the expenditure since 1921 of well over $475 billion on the never-to-be-completed highway system of the nation and over $21 billion on the domestic waterways in the same period.

I am not naive enough to think that the railroad system could take care of all the country's transportation needs. But I sincerely feel that a railroad system responding to the forces of free markets would have been able to hold onto its traffic, and some of the billions of dollars spent on providing facilities for the other modes of transportation could have been saved.

Also, I need to mention the unfortunate fact that the bad example which we, the transportation industry and the Commission, have set in perfecting the administrative and regulatory process has flowed over into many other agencies and industries. Now we find the Department of Energy, the Occupational Safety and Health Administration, the Environmental Protection Agency and a myriad of other departments and agencies grinding out rulings and regulations which cost the American people over one hundred billion dollars a year. Most of this does not increase productivity, and all of it adds to the cost to the consumer and the taxpayer.

The net result of all of this put together is a country with an unacceptable rate of inflation, declining productivity growth, a weak dollar, an unfavorable balance of payments and lowered prestige around the world, not to mention a railroad system that's in trouble.

Now I know that I'm painting with a broad brush when I cover all of the country's problems and seem to blame them on regulation. What I'm trying to say, really, is that where we have abandoned the spirit of free enterprise and independence which has made this country great, we have gotten into trouble.

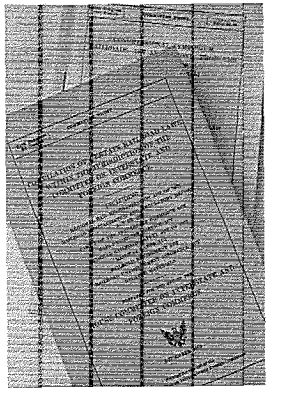
I've spent over 40 years in railroading. Some of you may have spent that much time, or at least your entire working career, with the Commission. I think the one thing we can agree upon is that it just hasn't turned out the way we thought it would, nor the way we wanted it to. So why don't we work together to try the one system of regulation that today's railroads have never known — the free market system. □

Deregulation Has Its Responsibilities

"We want it (deregulation) in full realization that rail carriers, just like other businesses, will have to know their costs, understand the markets, recognize the competitive forces, and make their individual decisions on what prices they will charge and what quality of service they will have to give in return."

— SP Transportation Company President D. K. McNear in a speech to the Los Angeles Transportation Club on April 10.

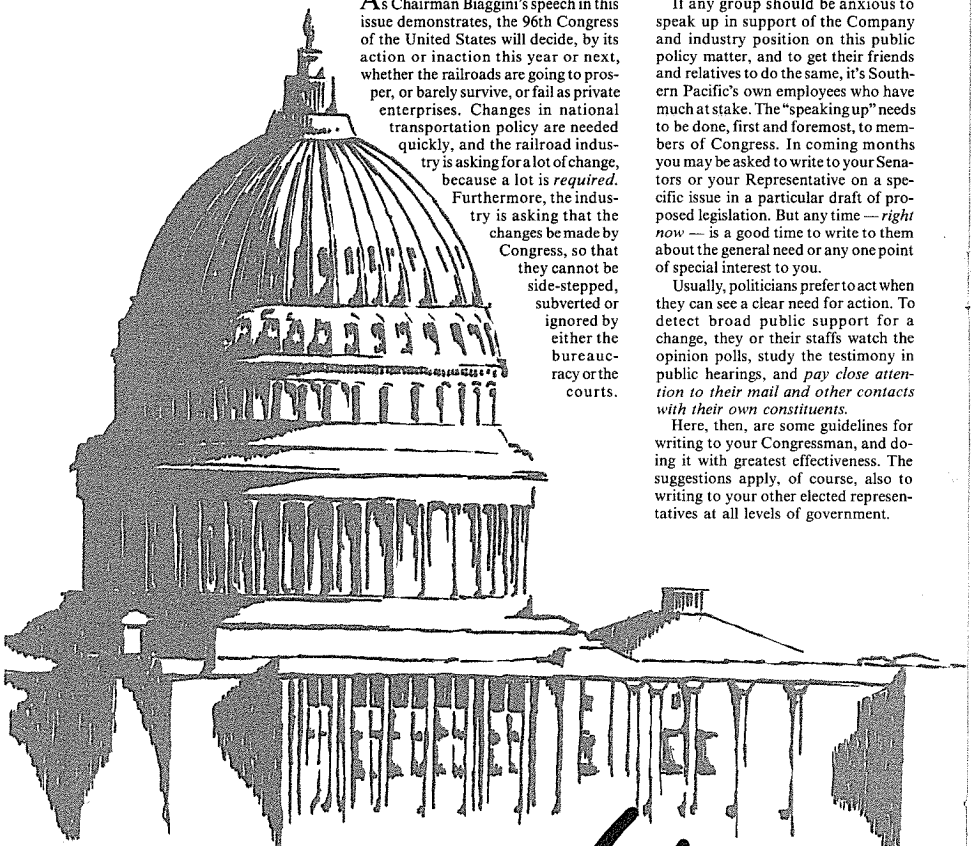
"Why don't we work together to try the one system of regulation that today's railroads have never known — the free market system."



"The required changes are so fundamental that they should be adopted by Congress rather than through placing excessive reliance on Commission policy which may be both uncertain and unpredictably changeable."

What the AAR's Deregulation Program Would Do

- Let railroads raise and lower — free from excessive regulatory interference — the prices they charge, just as other businesses do, in response to market conditions.
- *Protect those few shippers who don't have access to alternative transportation by limiting, for the next five years, unilateral price increases to no more than 20 percent per year.*
- Let a railroad make contracts with shippers, guaranteeing service to the shipper at a negotiated price for a negotiated period, and thus ensuring a stated amount of traffic to the railroad.
- *Reduce substantially the incentive for a shipper to seek, almost automatically, a suspension of any rate increase proposed.*
- Remove the Interstate Commerce Commission from the day-to-day operation of railroads by eliminating the Commission's authority over car service and compensation (per diem and demurrage) matters.
- *Ease the complex procedures now required for railroads to discontinue unprofitable lines and services.*
- Streamline the excessive procedures for railroad mergers.
- *Permit unrestricted intermodal ownership, to provide for greater coordination between various modes of transportation.*
- Eliminate the ICC's jurisdiction over railroad financial securities, since such regulation duplicates that of the Securities and Exchange Commission.
- *Phase-out all but limited regulation by the ICC by 1985.*



As Chairman Biaggini's speech in this issue demonstrates, the 96th Congress of the United States will decide, by its action or inaction this year or next, whether the railroads are going to prosper, or barely survive, or fail as private enterprises. Changes in national transportation policy are needed quickly, and the railroad industry is asking for a lot of change, because a lot is *required.* Furthermore, the industry is asking that the changes be made by Congress, so that they cannot be side-stepped, subverted or ignored by either the bureaucracy or the courts.

If any group should be anxious to speak up in support of the Company and industry position on this public policy matter, and to get their friends and relatives to do the same, it's Southern Pacific's own employees who have much at stake. The "speaking up" needs to be done, first and foremost, to members of Congress. In coming months you may be asked to write to your Senators or your Representative on a specific issue in a particular draft of proposed legislation. But any time — *right now* — is a good time to write to them about the general need or any one point of special interest to you.

Usually, politicians prefer to act when they can see a clear need for action. To detect broad public support for a change, they or their staffs watch the opinion polls, study the testimony in public hearings, and *pay close attention to their mail and other contacts with their own constituents.*

Here, then, are some guidelines for writing to your Congressman, and doing it with greatest effectiveness. The suggestions apply, of course, also to writing to your other elected representatives at all levels of government.

HOW TO Write Your Congressman AND MAKE IT COUNT

1. Address your mail properly:
The Hon. John J. Doe
House Office Building
Washington, D.C. 20515

Dear Congressman Doe:
or
The Hon. John J. Doe
Senate Office Building
Washington, D.C. 20510

Dear Senator Doe:

2. Write on plain or personal stationery, either on the typewriter or by hand. Just be sure that you give your complete name and *home* address and that they are legible. (You will not use company stationery unless you are writing in an official capacity for a company.) The Congressman wants to know where you live — especially if you are one of "his" constituents — and he wants to be able to reply to you. "Anonymous" letters are useless, except perhaps to get something off your own chest.

3. Identify the bill, if there is one, or at least the specific issue ("railroad deregulation," etc.) early in your letter. About 20,000 bills are introduced in each Congress, so it's important to refer directly to your exact concern.

4. Make your letter timely. Don't expect your Congressman to be able to do much if a bill already has passed out of committee, or has already been voted on by the House itself.

5. Be as brief and to the point as possible, and stick to one issue per letter. Congressmen routinely receive 150 or more letters a day. They and their staffs try to answer, or at least acknowledge, all of them. Usually they do this with a form letter on issues that are getting lots of attention, and generally you should be reasonably satisfied with this type of answer. However, if you consider it particularly unresponsive don't hesitate to write a follow-up letter and say so, courteously.

6. Write your own views, in your own words, as a private citizen. Even if you feel you aren't the best writer on the block, an original, personal letter is far better than a form letter you copied, or your signature on a petition. Form letters are apparent to your Congressman. They usually arrive in batches, and his staff just counts and records the number, without really reading such letters.

7. Give a reason for your position. Don't just say, "Vote for H.R. 100 because we need it." If you have some particular knowledge of the matter, or personal experience with it, share it with your Congressman. He can't possibly be an expert in every field of legislation, and he is looking for advice from people who have *had* experience. Explain how legislation affects you, your community, your business, your job security. Give a brief example if you can.

8. Always be constructive. If a bill he is sponsoring tries to deal with a recognized problem but you believe it is the wrong approach, tell him what the right approach would be.

9. Don't make either threats or promises, or use an angry tone. Although Congressmen usually want to do the popular thing, this is not their only motivation. They want to do what they see as best for the country and also, if feasible, what's best for their own district and for their constituents who have serious problems. You probably won't succeed in trying to intimidate your Congressman, and you'll only close off the dialogue. A threat won't change his mind, but good reasons might.

10. But do also write a "well done" note when it's deserved. Congressmen are human too, and they appreciate a "thank you" from people who believe they have done the right thing.

Most of us go to the polls and help vote into office people who make decisions on complex issues directly affecting our daily lives. But, according to one study, less than 10 percent of all Americans *ever* write to an elected official of any type, although a well-timed, thoughtful letter can be just as effective as a vote on election day. So use these 10 tips to write good letters that will really influence the men and women you elect!

AROUND the SYSTEM

Herbert

Smith

SP Land Company Promotions Announced

William F. Herbert has been appointed to the new position of vice president and general manager of natural resources for Southern Pacific Land Company.

Ned A. Smith has been appointed assistant vice president and assistant general manager of natural resources.

Herbert, 48, joined the Engineering Department in 1949 after graduating from college. In 1966 he transferred to the Land Department and was named general manager of natural resources in 1973.

Smith, 60, joined the Land Department in 1951 and was appointed chief agronomist at Fresno in 1971. He moved to San Francisco as assistant general manager for natural resources two years ago.

SP's Fuel Bill Reflects Increased Oil Prices

In March, the Organization of Petroleum Exporting Countries (OPEC), announced a nine percent increase in the basic price of crude oil. Corporations, as well as consumers, immediately experienced the effect of this price hike.

SP uses one million gallons of diesel fuel a day. A penny increase is equal to $10,000 a day in added costs for the Company. Prior to the OPEC boost, the cost of diesel fuel had increased four cents — or $40,000 a day — since the beginning of the year.

The recent nine percent price increase adds 1½ cents a gallon to SP's fuel bill — or another $15,000 a day.

That adds up to an increase of $55,000 a day in fuel costs for the railroad alone! The cost of gasoline to keep SP's fleet of trucks and automobiles operating has also risen substantially during this period.

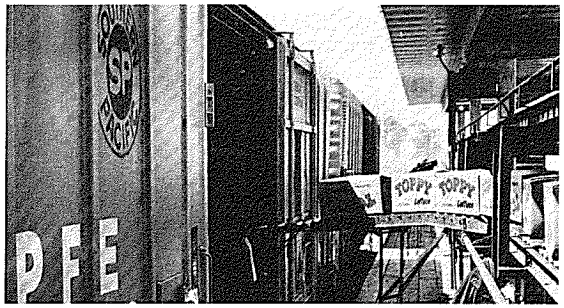
Participating in ceremonies marking the end of Salem's "Iron Horseshoe" were (left to right): U.S. Senator Bob Packwood, Oregon Governor Victor Atiyeh and SP Company President Alan Furth.

A University Campus No Longer Divided

A short Southern Pacific branchline train broke through a colorful paper sign on the Willamette University campus in Salem, Ore., to celebrate the deeding of SP's right-of-way to the university. The sign, which read "Breaking the Iron Horseshoe," referred to the U-shaped configuration of tracks around the downtown Salem area which also bisected the Willamette campus for more than a hundred years.

To the music of a brass band, Gov. Victor Atiyeh, U.S. Sen. Bob Packwood and SP Company President Alan C. Furth stepped from the engine and were greeted by Willamette University representatives. Moments later, the dignitaries used heavy railroad bars to pull several spikes from the railroad's Trade Street Branch right-of-way.

The celebration was staged to hail action by the Interstate Commerce Commission that will permit SP to abandon its Trade Street Branchline through the campus later this year after Burlington Northern tracks are relocated along Front Street. A circular track will be constructed to permit BN trains to pass over SP's Willamette River bridge to serve rail customers in West Salem.



Lettuce is loaded into a PFE car in Salinas, Calif.

ICC Deregulates Fresh Fruits and Vegetables

The Interstate Commerce Commission's recent deregulation of railroad carriage of fresh fruits and vegetables is a first step in putting the railroads on an equal competitive basis with unregulated truckers.

SP Transportation Co. President D. K. McNear declared that the ICC's deregulation order on March 21, "while not offering us all of the competitive freedom SP sought, does provide an opportunity to recapture some of the agricultural traffic which has been diverted to unregulated trucks."

"We plan to take full advantage of this opportunity to compete." Mr. McNear said. "Deregulation will permit us to react to market demands in a timely fashion by offering shippers of perishables innovative packages of new services and market-competitive rates."

SP began moving in this direction early in March when the railroad made reductions in rates charged for perishable movements in shipper-owned refrigerated trailers.

"To restore competitive balance," Mr. McNear said, "Southern Pacific asked the ICC over a year ago for the same exemption from regulation that truckers have always had when carrying any agricultural commodity. The ICC's order deregulates railroad movements of fresh fruits and vegetables, but not the full range of agricultural commodities."

"We won't recover all of the business we lost to trucks over the past 20 years, but we will try to reverse the slide with new service and rate packages," Mr. McNear commented.

Eagle Eye Award Winners

Honored in recent weeks with SP's Eagle Eye Award for "special alertness in finding defects which were not easily seen through regular observation and for taking action which prevented possible accidents" were:

Oregon Division: *J. P. Arregquin,* machine operator; *D. D. Burckhardt,* assistant signalman; *A. J. Cascarina,* brakeman; *M. A. Cyrus,* B&B crane operator; *R. L. Cool,* laborer, *J. G. Garza,* track laborer; *D. Johnson,* track walker; *J. F. Koschnick,* conductor; *L. Scarbrough,* driller. **Western Division:** *S. Bowie,* car inspector; *E. T. Hiehle,* agent; *T. P. Schwartz,* carman. **Tucson Division:** *A. G. Bush,* brakeman; *R. T. Bacchus* and *A. Tiscareno,* car inspectors. **Houston Division:** *R. N. Doty* and *E. L. Tucker,* carmen; *J. E. Driskell,* lieutenant. **Los Angeles Division:** *J. L. Haggard, A. V. Peterson* and *F. W. Reese,* brakemen; *P. P. Munoz,* carpenter; *R. A. Nino,* carman, *N. L. Scoggins,* trainmaster's clerk. **Lafayette Division:** *E. Dugas,* yardmaster. **San Antonio Division:** *M. D. Fails,* brakeman. **Sacramento Division:** *C. G. Resendez,* tamper operator. **Cotton Belt:** *B. M. Justice,* signalman.

SP and Ticor Reach Agreement on Merger

SP Chairman B. F. Biaggini and Rocco C. Siciliano, chairman of the board and chief executive officer of Ticor, announced on March 28 that the companies have reached agreement on the terms of a merger of a new, wholly owned subsidiary of Southern Pacific into Ticor, with Ticor being the surviving corporation and maintaining its corporate identity as a Southern Pacific subsidiary.

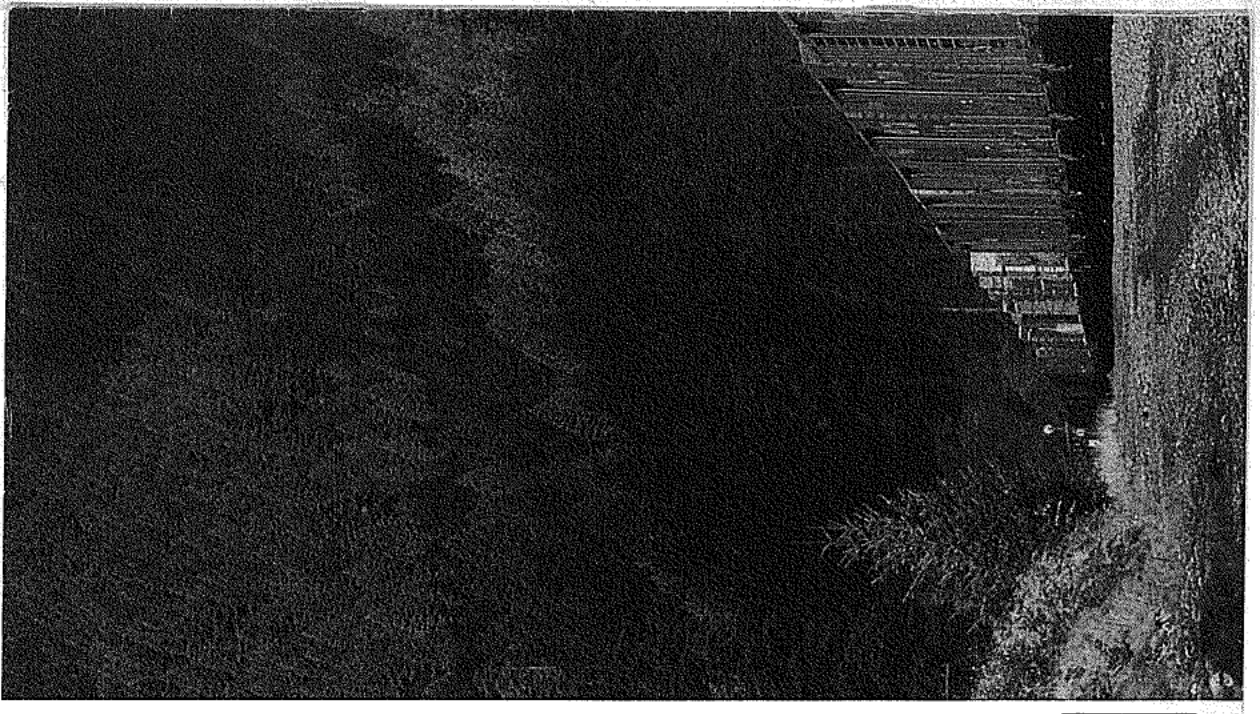
Ticor is a diversified holding company, headquartered in Los Angeles, with nation-wide operations in title insurance, private mortgage insurance, re-insurance, and financial and commercial printing, as well as a regional trust service.

Ticor's board approved the agreement and also postponed the annual meeting of Ticor stockholders, previously scheduled for April 25, to permit the preparation of proxy materials covering the merger.

Consummation of the merger is subject to required regulatory agency clearances, the approval of Ticor's shareholders, and the receipt of an opinion from Lazard Freres & Co., Ticor's investment bankers, that the transaction is fair and equitable to Ticor's shareholders.

Mr. Biaggini and Mr. Siciliano stated that it is planned that upon consummation of the transaction three representatives of Southern Pacific Company will join Ticor's board. Ticor will continue under its present management as a separate operating subsidiary of Southern Pacific.

The listing of appointments, retirements and deaths will resume with the May issue of the Bulletin.



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